

Interim Results: Six months ended 30 September 2020

Chief Executive :

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Interim Results Highlights

- ❖ **Resilient performance despite impact of Covid-19.**
- ❖ UK business significantly affected by lock-down but then moved back into profitability with FIC profitability limiting the impact of UK losses.
- ❖ Group revenue £14.4m (2019: £19.4m).
- ❖ Pre Tax loss £0.25m after initial restructuring costs of £0.1m (2019: Profit £1.25m).
 - ❖ **FIC: PBT up 14% at £0.8m** (2019: £0.7m). New government construction contracts, increased rental income and resilient domestic demand for FIC services.
 - ❖ **Momart: Loss £0.5m** (2019: Profit £0.1m) revenue reduced by 52% as art market and museums closed in Q1 but activity recovered in Q2.
 - ❖ **PHFC: Loss £0.5m** (2019: Profit £0.5m) 65% decline in revenue but steady recovery seen post lock-down.
- ❖ **No Dividend recommended pending return to sustained profitability.**
- ❖ **Cash balances increased by £5.3m to £14.4m** (March 2020: £9.1m).
- ❖ **Bank borrowings £20.6m** including £5m interest free CBILS loan and £13.5m long dated commercial mortgage on Leyton (£15.7m at 31 March 2020).





Outlook

- ❖ **H2 Outlook – Uncertainty remains but fundamentals are sound**
- ❖ **FIC** : Solid profitability expected from FIC despite continuation of Islands protective quarantine and absence of tourist and cruise ship income.
- ❖ **PHFC** : New lock-down measures in November will reduce ferry passenger numbers in the near term. Losses expected until revenues recover to levels seen in September.
- ❖ **Momart** : Renewed lock-down has led to UK museum closures and will reduce Exhibitions activity. Galleries and auction houses still active with online sales but continued absence of art fairs limits recovery. Furlough extension till March will help mitigate expected losses.
- ❖ **Restructuring**: Further redundancy costs in Q3 of c £0.4 million delivering cost savings of £1.6m pa in total.
- ❖ **Modest overall losses likely in H2** without early return to more normal trading conditions in UK.
- ❖ **Cash** : Strong cash position provides security to weather uncertain conditions.
- ❖ **Leaner cost base of UK businesses highly leveraged to recovery.**



Trading Overview

Six months ended 30 September	2020 £'000	2019 £'000
Group Turnover	14,384	19,430
Profit from operations	327	1,694
Restructuring costs	(102)	
Operating Profit	225	1,694
Lease interest (Pontoon & HP) & pension charges	(220)	(229)
Net Bank interest payable	(252)	(215)
Net financing costs	(472)	(444)
(Loss)/ Profit Before Tax	(247)	1,250
Avg Shares in issue	12,508	12,500
EPS	(1.5p)	7.7p



Split by Business:

Six months ended 30 September	2020 £'000	2019 £'000	Change
Turnover			
FIC	9,735	9,084	7.2%
PHFC	800	2,314	-65.4%
Momart	3,849	8,032	-52.1%
Group Turnover	14,384	19,430	-26.0%
Profit before tax			
FIC	805	704	101
PHFC	-435	490	-925
Momart	-515	56	-571
Restructuring	-102		-102
Profit before tax	-247	1,250	-1,497



Falkland Islands Company (FIC)



FIC : Trading overview

Six months ended 30 September	2020 £'000	2019 £'000	Change %
Revenue			
Retail	4,587	4,458	2.9%
FBS (construction)	2,045	1,540	32.8%
Falklands 4x4	1,619	1,638	-1.2%
Agency & Support Services	1,091	1,149	-5.1%
Property Rental	394	299	31.7%
Total FIC Revenue	9,735	9,084	7.2%
Trading profit	754	668	12.9%
Consumer Finance income	113	94	20.2%
Pension finance costs	(62)	(58)	6.9%
Profit before tax	805	704	14.3%



FIC Overview

- ❖ **Encouraging growth with new FIG Civils work, increased kit home sales, steady retail growth and increased rental income from properties.**
- ❖ **FIC Revenue ahead by 7% to £9.7m and H1 PBT +14% to £0.81m.**
- ❖ **Retail** sales up 3% to £4.59m (2019 £4.46m). Home Builder sales +26% to £0.64m.
- ❖ **FBS** (construction). Sales + £0.5m (+33%) to £2.05m
 - ❖ Kit home sales £1.8m vs £1.5m, as phase 1 of FIG housing contract largely completed with civils road maintenance contracts from FIG adding £0.25m
- ❖ **4x4** Sales flat at £1.62m (2019: £1.64m) more vehicle sales offsetting absence of one-off parts contract last year.
- ❖ **Property rental** income +32% to £0.4m (2019 £0.3m) – portfolio expanded to 73 units vs 58 in Sept 2019
- ❖ **Other Services** – Revenue -5% at £1.1m due to impact of Covid-19 on freight shipments. Insurance held up well offsetting impact of weaker illex catch and cessation of civilian flights into Stanley.
- ❖ **Consumer Finance Income (Car/Retail HP and charge cards)** +20% to £113k



FIC : New Kit Home for FIG



FIC : Civils work for FIG on West Falkland



FIC : Outlook

- ❖ Steady profitability expected in H2 based on solid domestic demand.
- ❖ However embargo on civilian flights and cruise ship visitors will weaken normal seasonal H2 upturn.
- ❖ Government voucher scheme £500 per adult will boost local spending on tourism will help mitigate impact.
- ❖ Strong order book for kit homes and phase 2 of FIG housing contract underpins healthy FBS performance in H2.
- ❖ New tenders from FIG and MoD will give opportunities for medium term growth.
- ❖ Premier Oil's proposed merger with Chrysaor may help unlock Sea Lion if oil price recovers.
- ❖ Longer term – tourism, infrastructure and outsourcing by FIG and MoD give significant growth opportunities.



Momart



Kimono for export, probably Kyoto, 1905-15
© Victoria and Albert Museum, London



A fashionable youth, Utagawa Kunisada
(1786-1864), Edo (Tokyo), 1843-7
© Victoria and Albert Museum, London



Momart: H1 Trading

Six months ended 30 September	2020 £'000	2019 £'000	Change %
Revenue			
Museums & Exhibitions	1,307	4,298	-69.6%
Commercial Galleries and Auction Houses	1,350	2,699	-50.0%
Art Storage	1,192	1,035	15.2%
Total Revenue	3,849	8,032	-52.1%
Trading (Loss) /profit	-273	265	-538
Finance expense	-242	-209	-33
Profit before tax	-515	56	-571



Momart: Overview

- ❖ **Revenue** down 52% to £3.85m (2019 £8.03m) under impact of Q1 Covid-19 lock down
 - ❖ Museums mostly stayed closed to visitors until late June or July.
 - ❖ Furlough of 108 Momart staff (out of 134) – maximum use of Job Retention Scheme £1.1m received in H1
 - ❖ 20% voluntary pay cut by all staff saved additional £0.4m
 - ❖ However, 27 staff became redundant in mid August – termination payments made in H2
 - ❖ Slow recovery over course of Q2 - activity at 60% by late summer
- ❖ **H1 Loss of £0.5m** (2019: PBT £0.05m)
- ❖ **Museum Exhibitions** revenues down 70% to £1.3m (2019 £4.3m)
 - ❖ Limited new installations but works from earlier shows returned to UK or recalled from overseas
 - ❖ Tendering continued for planned shows in 2021 and beyond
 - ❖ Museum revenues sharply reduced by closure then restricted visitor numbers
- ❖ **Gallery Services** revenue down 50% to £1.35m (2019: £2.7m)
 - ❖ Commercial art market closed across UK & Europe in Q1 –but continued sales online
 - ❖ Sales recovered as restrictions on movement eased in June
 - ❖ Push to “catch up” by leading auction houses
 - ❖ Government contracts provided welcome boost over summer



Momart: Outlook

- ❖ **Art storage income** +15% to £1.2m (2019 £1.0m) following new storage contracts won late last year. Warehouse at 90% capacity.
- ❖ **Cash collections strong** – No significant client defaults despite some gallery closures and cessation of art fairs.
- ❖ **Outlook**
- ❖ **Market recovery set back by renewed lock-down**
 - ❖ Museum recovery will depend on resumption of normal movement for visitors and tourists – their income and ability to finance new shows will be limited until then
 - ❖ International art movements to countries less affected by Covid offers some scope
 - ❖ Commercial market more robust but slow down still expected despite acceleration online
 - ❖ However revived furlough scheme will help mitigate likely losses
 - ❖ Down-turn not expected to be as severe as in Q1 but much will depend on duration of lock-down



Gosport Ferry (PHFC)





PHFC: H1 Trading

Six months ended 30 September	2020 £'000	2019 £'000	Change
Revenue			
Ferry fares	800	2,146	-62.7%
Cruising and Other income	0	168	-100.0%
Total Ferry Revenue	800	2,314	-65.4%
Trading (Loss)/ profit	-267	667	-934
Finance expense	-168	-177	9
Profit Before Tax	-435	490	-925

PHFC : Overview

- ❖ **Ferry revenue down 65%** to £0.8m(2019: £2.3m)
- ❖ **Loss before tax £0.44m** (after allocated overheads) (2019 Profit £0.5m)
- ❖ **Ferry fare income down 63% from £2.1m**
- ❖ **Summer cruising cancelled due to Covid-19** – Lost income £0.2m
- ❖ **Service maintained 17½ hours each day** - reduced to one vessel
 - ❖ 25 of 35 staff furloughed over Spring & Summer
 - ❖ 20% pay cuts for all staff until September
 - ❖ £165k in furlough grants and a further £90k from local authorities
 - ❖ All non-essential expenditure halted
- ❖ **Heavy initial losses in April & May** due to fixed operating costs but **steady recovery** and move back towards break-even by end of summer
 - ❖ April volumes <10% of prior year , September volumes 64% prior year
- ❖ **However momentum reversed with onset of new travel restrictions**
 - ❖ **Headcount reduced by 26% (9 staff) via redundancies at end October**
 - ❖ **Annual savings of £350k reduces break-even but losses still likely depending on duration and severity of lock-down**
- ❖ **Increased govt focus on “green” public transport will assist over medium term.**
- ❖ **£56m Transforming Cities Fund investment to regenerate harbour region should help offset shift to increased working from home**



Outlook – November 2020

FIC:

- ❖ Solid profitability underpinned by robust domestic demand but normal summer uplift will be held back by absence of incoming tourists
- ❖ Strong pipeline of FBS kit home sales in H2
- ❖ New civils contracts to make positive contribution
- ❖ Further stimulus from FIG / MoD capital projects expected in medium term.

❖ **Momart :**

- ❖ Challenges of renewed lock-down will reverse recovery in near term
- ❖ H2 Losses likely despite furlough scheme support
- ❖ But fundamental value and potential of market leading business remains intact

❖ **PHFC :**

- ❖ Renewed losses likely– extent and duration linked to timing of shop reopening (Gunwharf Quays) and resumption of more normal travel
- ❖ Leaner cost base has reduced break-even
- ❖ Government support for public transport & regeneration of Gosport waterfront offer more positive medium term outlook

❖ **Overall:**

- ❖ No immediate return to pre-Covid profitability - further losses likely in H2
- ❖ But : solid fundamentals underpinned by strong cash position
- ❖ Continued investment in FIC Stanley to maintain underlying growth

FIC:

- ❖ Further expansion of FBS Construction activities – focus on larger house build contracts and straightforward civils work.
- ❖ Development of support services and outsourcing with FIG and MoD
- ❖ Post Covid, longer term opportunities for development of land-based tourism remain

Momart :

- ❖ Tight control of costs until market resumes “normal” activity
- ❖ Renewed focus on filling storage & developing work with government

PHFC :

- ❖ Tight cost control – Work with local councils to develop Park & Float amenities and redevelopment of waterfront

Corporate :

- ❖ Strengthen board and pursue transformational acquisition opportunities

Appendices

Cash Flow, Balance sheet, Net borrowings & liquidity,

Cash flow - for the six months ended 30 September

Cash Flow	2020 £'000	2019 £'000
Operating Profit	225	1,694
Depreciation and amortisation	1,175	981
Provision for share based payments	22	49
Decrease /(Incr) in working capital	573	-292
Net Cash Flow from Operations	1,995	2,432
Tax paid	-64	-265
Capital expenditure	-662	-1,267
Dividend paid	0	-419
Other	-12	-264
Net cash flow before loan repayments & interest paid	1,257	217
Bank, Lease & HP interest paid	-412	-385
Bank, Lease & HP loan repayments	-586	-10,274
Bank loan draw down	5,000	13,819
Total increase in Cash	5,259	3,377
Closing Cash balance	14,367	9,561



Balance sheet

All figs £ '000's	30-Sep 2020	30-Sep 2019	31-Mar 2020
Tangible Fixed Assets	40,951	41,333	41,712
Investment properties at net book value	6,680	5,843	6,458
Goodwill & Intangibles	4,212	11,739	4,246
Deferred tax, Joint Venture & HP due after 1 year	1,525	1,668	1,543
Total non current assets	53,368	60,583	53,959
Working Capital - Net	4,938	4,506	5,518
Cash	14,367	9,561	9,108
Corporation tax payable	-112	-422	-233
Bank Loans etc due within 1 year	-1,469	-1,292	-1,165
Net Current Assets	17,724	12,353	13,228
Interest bearing loans and liabilities	-27,036	-23,098	-22,942
Employee benefits	-2,615	-2,784	-2,604
Deferred tax liabilities	-2,849	-2,529	-2,849
Equity Shareholders funds	38,592	44,525	38,792



Borrowings, Cash & Liquidity

All figs £ '000's	30-Sep 2020	31-Mar 2020	30-Sep 2019
Bank Loans due within 1 year	-927	-607	-1075
Bank Loans due after 1 year	-19,637	-15,127	-15,294
Total Bank borrowings	-20,564	-15,734	-16,369
Cash	14,367	9,108	9,561
Net Bank borrowings / Cash	-6,197	-6,626	-6,808
Lease Liabilities due within 1 year	-542	-558	-217
Lease Liabilities due after 1 year	-7,399	-7,815	-7,804
Lease Liabilities (Pontoon & Office leases)	-7,941	-8,373	-8,021
Total Net "Borrowings" (IFRS 16)	-14,138	-14,999	-14,829
Net Tangible Assets	39,690	38,803	40,149
*Bank loans include : £13.5 million commercial mortgage fixed at 3.0% pa to June 2029			

